

## Context

Europe is centre stage in the UK political debate. The coming year will be decisive for the UK's role in a reformed European Union and for the future direction that the EU will take.

The UK Government is pushing for reforms to the way the EU works and is renegotiating the UK's relationship ahead of an In/Out referendum. In addition to direct contact with other EU Member States in order to try to secure consensus on the UK's EU reform proposals, informal discussions in Brussels have already started. These may be formally addressed by the European Council in December 2015.

TheCityUK has put forward recommendations for reforms that will:

- Firmly establish the principle of non-discrimination between Euro-ins and Euro-outs;
- Support jobs, growth and competitiveness across Europe;
- Make the EU more open and outward-looking; and
- Make it more efficient, transparent and accountable.

These reforms will benefit all 28 Member States and their 500 million citizens. They are practical and achievable and they can be secured without changes to the EU Treaties in the short-term.

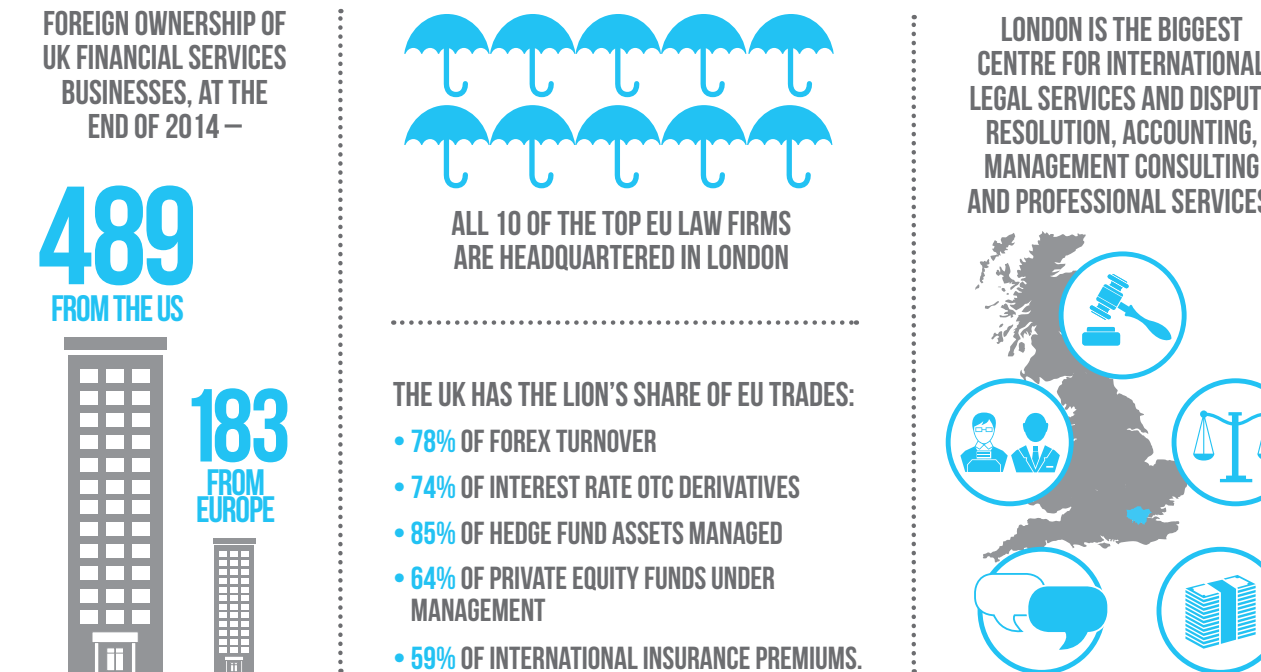
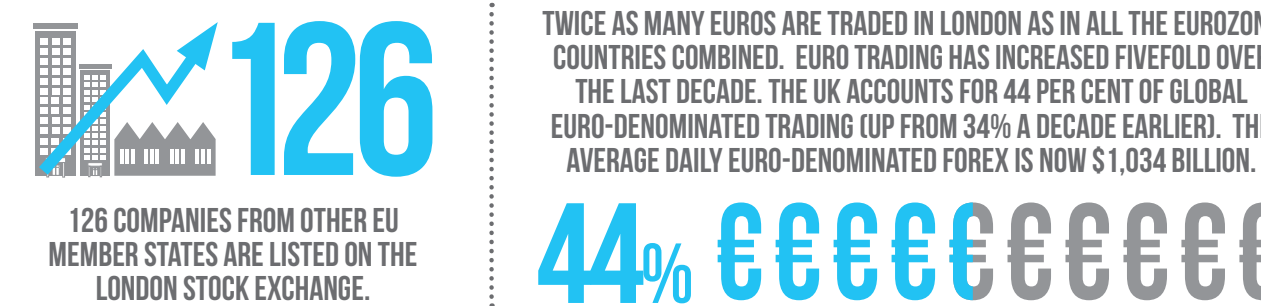
The UK has made a significant contribution to shaping the EU. It is influential and has an important leadership role to play in securing the reforms the EU needs to compete in a changing world that will benefit all Member States.

## The City, the UK and the EU

EU membership is a critical issue for the UK's financial and related professional services industry. The way the EU works is a vital concern for us. The UK is the EU's financial heart and the world's financial centre in Europe. Our industry already makes a substantial contribution to supporting growth and jobs, here in the UK and right across Europe. We could do even more if the EU functions better, creates a fully-functioning Single Market and delivers the conditions for improved international competitiveness, productivity, flexibility and innovation.

But we also have a broader view. EU membership makes a very important contribution to the prosperity of the UK as a whole and it has shaped our economy. The creation of the Single Market is potentially the EU's most important achievement and has benefited all Member States. But the job is not finished. Much remains to be done to make the EU more dynamic, more forward-looking and more responsive to changing global trends. The question should not be one of 'more Europe' or 'less Europe', but how a 'better, more thoughtful Europe' can be achieved.

## UK financial and related professional services and the EU



## A principled approach

Reform must be based on sound and transparent principles. The architecture of the EU must recognise that Europe is a multi-currency area and will remain so.

For us, the principles that should drive the reform agenda are:

- A deep, strong and competitive Single Market is the bedrock of a prosperous EU. Completing it must be at the heart of reform;
- The EU and its Member States must focus their attention on action that will encourage growth, create jobs and promote competitiveness;
- But the EU must also be open to the world and maximise the benefits from free and open trade and investment;
- The EU must guarantee fair and equal treatment to all Member States – those who are in the euro and those who are not;
- The EU should only legislate where action is needed that could not be taken effectively at national level – 'Europe where necessary, national where possible';
- Regulation should only go as far as required to achieve essential policy goals and no further; and
- The EU institutions should work much more closely with national authorities.

## TheCityUK's reform proposals

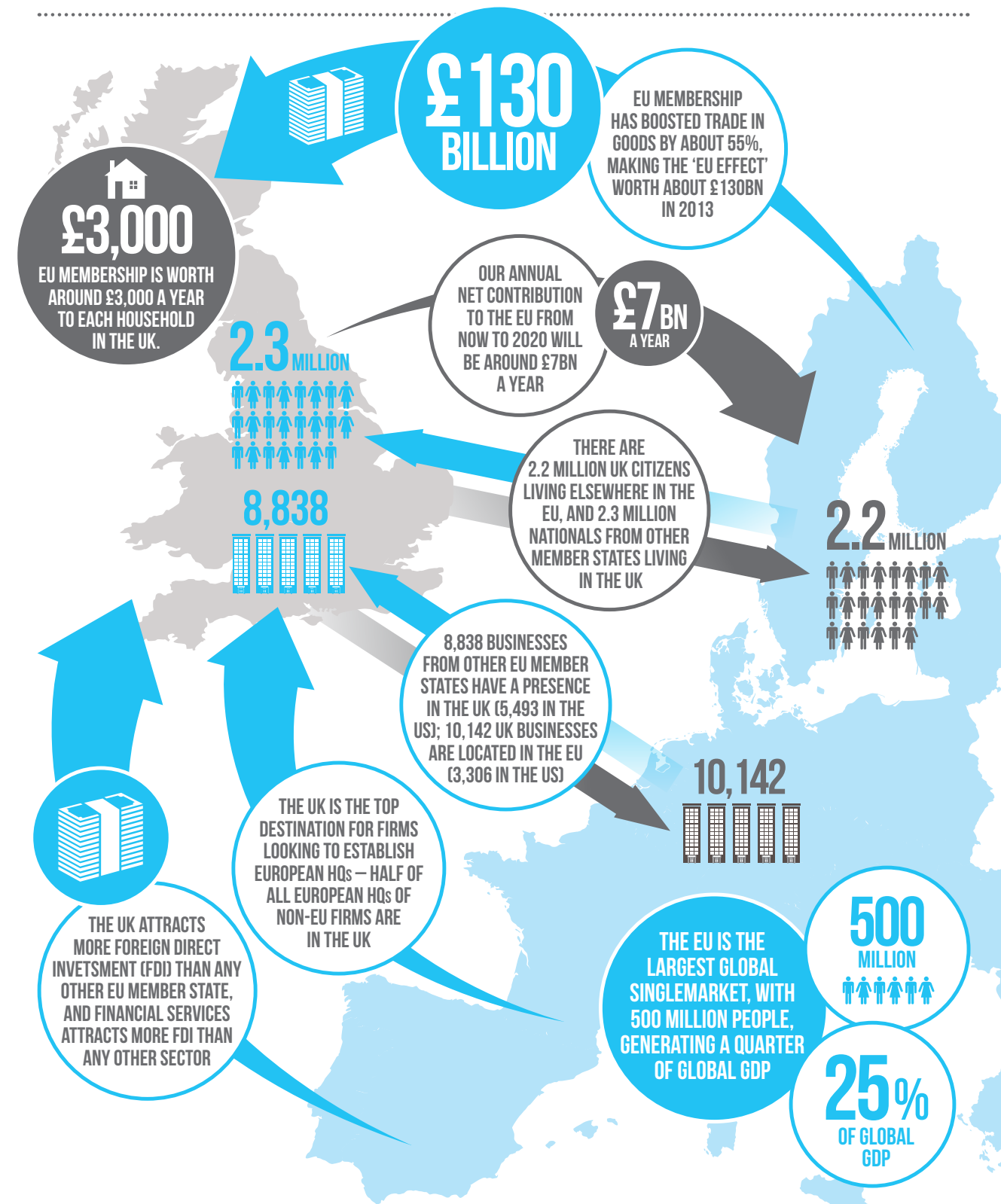
We have made 25 specific recommendations, drawing on a thorough review of the evidence and wide-ranging discussions with TheCityUK members, trade bodies, business groups and policymakers in the UK and in other Member States. These are set out in our report *EU reform – detailed proposals for a more competitive Europe* and summarised overleaf. They would, in particular:

- Promote the completion of the Single Market, especially in services and digital;
- Create a Single Market for capital to benefit savers, investors and companies;
- Ensure that Single Market legislation is properly implemented and enforced;
- Improve the quality of regulation and the legislative process;
- Give higher priority and more resource to negotiating trade and investment deals;
- Protect the interests of Member States who are outside the euro; and
- Provide an opportunity to consider long-term, more strategic goals. Most importantly, reconsidering the concept of 'ever closer union' in a Europe that has much changed since that ideal was first espoused.

Our recommendations are practical, would likely find support in other Member States and do not require Treaty change in the short-term.

Vitaly, these reforms would deliver concrete economic benefits for all 28 Member States. As one of the EU's largest and most open economies the UK stands to make significant gains from these reforms.

## The UK and the EU



Recent EU developments are encouraging and show willingness to change

- The process of reform in some areas has already started. This includes:
- The European Council has agreed a new strategic agenda focused on growth, investment, jobs and competitiveness;
  - The European Commission is determined to ‘concentrate its action on areas where it makes a real difference’, and ‘refrain from taking action where Member States can better achieve the same objectives’;
  - The European Commission has been restructured to promote a more coherent, joined-up and efficient approach; and it has taken important steps to improve its performance on legislating ‘less, and better’;
  - The Commission has put forward ambitious new plans for a Capital Markets Union and a Digital Single Market;
  - The EU has created a new investment fund worth €315 billion in loans for growth businesses and infrastructure; and
  - Other Member States have spoken up in support of the kind of reforms we are arguing for.

... but sustained commitment will be needed

The climate is encouraging. But the reform that matters most – and that will endure – will not be delivered solely through political agreement between heads of government. It is a process, not an event, with the role of effective enforcement and implementation not to be underestimated.

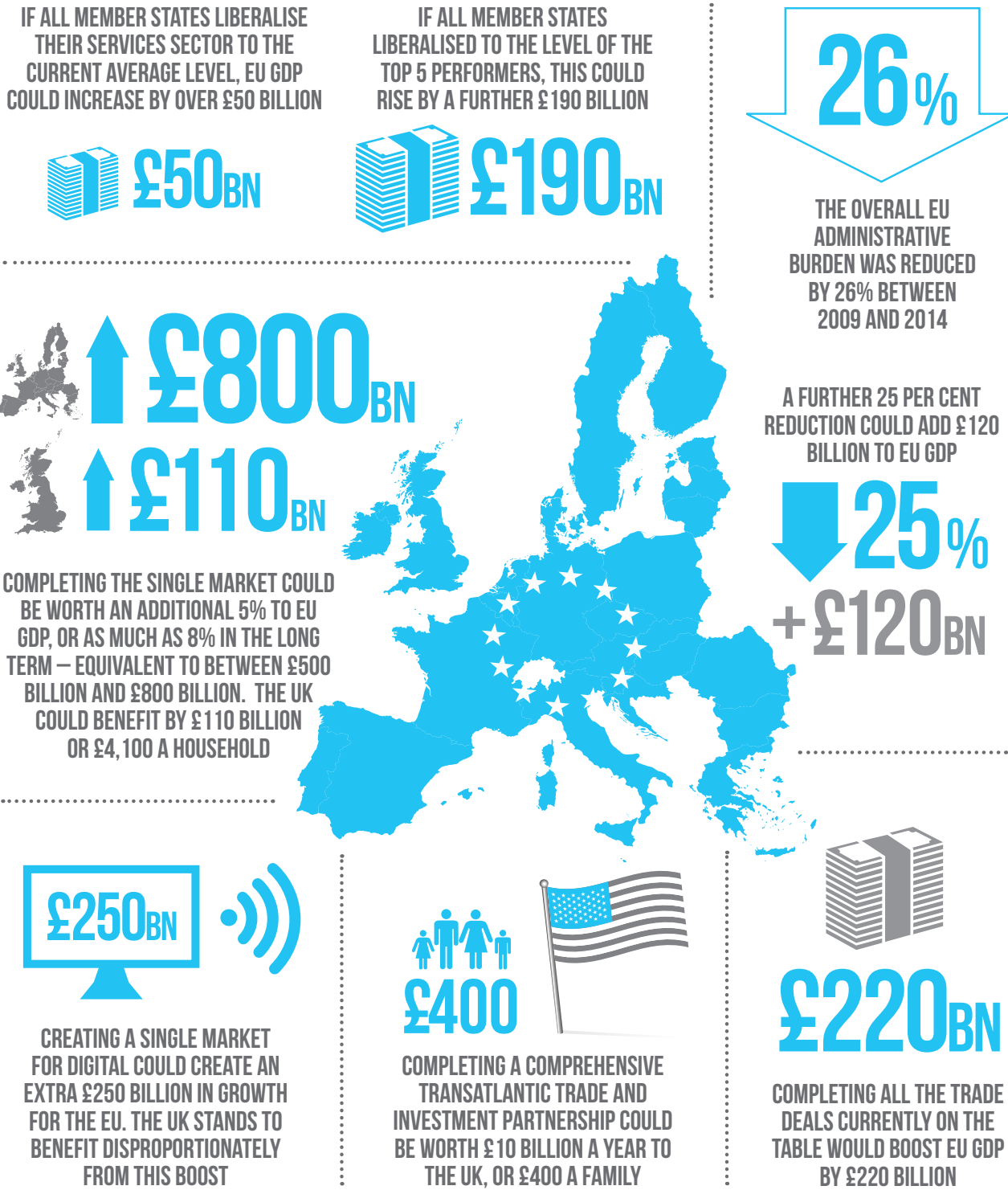
Member States and EU institutions must commit to, and invest in, reform over the longer term – both with regards to how European and national institutions cooperate and which policy areas European institutions should address in their work.

**The role of the UK:** As the champion of reform, the UK has to lead by example. The UK Government should publish a longer-term EU reform action plan and it should report regularly to Parliament and to the public on progress. Building on previous work in this area, other Member States are encouraged to do the same.

- The role of business:** Businesses, too, have to play their part in support of reform – particularly companies that operate across national borders within the Single Market. So, too, do business and trade associations. They should:
- Step up their engagement with the UK Government on the reform agenda, building on initiatives such as the Business Taskforce on European regulation. The Government’s Business Advisory Group should come forward with strategic recommendations on improving business-government collaboration on driving EU reform; and
  - Engage more actively with EU officials and Members of the European Parliament, and also with business organisations in Brussels and elsewhere in the EU.

For our part, we have launched an extensive programme of discussions on our proposals with policymakers and business organisations across the EU. We hope others will do likewise.

The Benefits of EU reform



TheCityUK’s EU reform proposals

A deep and strong Single Market, open to the world	
1	Reaffirm continued commitment to the completion of the Single Market
2	Review of the implementation of the Services Directive
3	Formation of a Single Market Council to replace current Competitiveness Council
4	Completion of the Single Market in Financial Services
5	Development of a Single Capital Market
6	Completion of the Digital Single Market
7	Maintenance of access to global talent
Better regulation agenda	
8	Reformed organisation of the European Commission, Council of the European Union and European Parliament
9	Future impact assessments for all EU institutions should be conducted by an independent Regulatory Scrutiny Board
10	Greater respect for subsidiarity and proportionality
11	Mandatory post-implementation reviews
12	Assessment of cumulative cost of regulation
A European agenda for jobs, growth and competitiveness	
13	A European Commissioner for Growth
14	Eurogroup Chair to be a permanent member of the European Council
15	Encouraging long-term investment into the EU’s economy
16	Development of a Code of Conduct for the EU’s Commercial Policy
17	Resources for negotiating trade deals
18	Increased spending on research and innovation
19	Harmonisation of the EU’s third country regime
20	Third country access to the EU and ensuring effective communication and agreement between Commission Directorates-General
Fair and equal treatment of all Member States	
21	Strengthening the involvement of national parliaments
22	Protecting the integrity of the Single Market
23	The ESAs’ role and encouraging their alignment with the Single Market
24	Strengthening of the ESRB’s cross-sectoral approach
25	Transposition and enforcement of European legislation

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EU REFORM  
Time for change

SEPTEMBER 2015